Aspen Valley Hospital District

Independent Auditor's Report and Financial Statements

December 31, 2015 and 2014

BKD LLP
CPAs & Advisors

Aspen Valley Hospital District
December 31, 2015 and 2014

Contents

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Independent Auditor's Report

Board of Directors
Aspen Valley Hospital District
Aspen, Colorado

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of Aspen Valley Hospital District as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Aspen Valley Hospital District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of Aspen Valley Hospital District as of December 31, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Wichita, Kansas
June 1, 2016

Aspen Valley Hospital District
Management's Discussion and Analysis
Years Ended December 31, 2015 and 2014

Introduction

As management of Aspen Valley Hospital District, we offer readers of the financial statements this discussion and analysis of the financial activities of Aspen Valley Hospital District (the District) for the calendar years ended on December 31, 2015 and 2014.

The financial statements are presented in two columns – one for the District which includes the District and Aspen Valley Hospital Foundation and one for Component Units. The Component Units column represents the financial statements of joint ventures that are owned in part by the District. Please see *Note 1* in the Notes to the Financial Statements for a complete explanation of these arrangements. For purposes of this discussion and analysis, the financial results of the component units are considered immaterial to the total District's finances, and therefore are not specifically discussed herein.

We encourage readers to consider this discussion and analysis in conjunction with the accompanying financial statements.

Financial Highlights

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of four components:

1. **Balance Sheets:** provides information about the District's assets, deferred outflows of resources and liabilities and reflect the District's financial position as of December 31, 2015 and 2014.
2. **Statements of Revenues, Expenses and Changes in Net Position:** reports the cumulative activity of providing health care services and the expenses related to such activity for the years ended December 31, 2015 and 2014.
3. **Statements of Cash Flows:** outlines the cash inflows and outflows related to the activity of providing health care services for the year ended December 31, 2015 and 2014.
4. **Notes to the Financial Statements:** provide explanation and clarification on specific items within the previously mentioned financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Balance Sheets

The District's total assets and deferred outflows of resources at the end of 2015 were $227,223,629 compared to $203,592,136 for 2014 and $192,543,730 at the end of 2013. The $23,631,493 increase from 2014 total assets and deferred outflows of resources is attributable to the increase in cash and cash equivalents, patient accounts receivable, short-term investments, other receivables, inventory, noncurrent cash internally designated for capital acquisitions, net contributions receivable, contributions receivable held by Aspen Community Foundation, bond funds restricted for capital, noncurrent cash and investments held by trustee for debt service, capital assets and deferred outflows of resources; and decreases in estimated amounts due from third-party payers, contributions receivable, prepaid expenses, noncurrent cash restricted by donors for capital and specific operating activities, noncurrent cash held by Aspen Community Foundation for capital acquisitions and other assets. The $11,048,406 increase from 2013 total assets is attributable to the increase in estimated amounts due from third-party payers, contributions receivable, other receivables, inventory, noncurrent cash internally designated for capital acquisitions, noncurrent cash restricted by donors for capital and specific operating activities, net contributions receivable and other assets; and decreases in cash and cash equivalents, patient accounts receivable, short-term investments, due from Aspen Valley Hospital Foundation, prepaid expenses, noncurrent cash held by Aspen Community Foundation, bond funds restricted for capital acquisitions and deferred outflows of resources.

At December 31, 2015, assets consisted primarily of cash and cash equivalents of $33,733,048; short-term investments of $17,369,982; net patient accounts receivable of $9,436,422 ; estimated amounts due from third-party payers of $1,534,667; other receivables of $1,234,048; inventories of $2,252,581; prepaid expenses of $1,180,645; noncurrent cash and investments as follows: internally designated for capital acquisitions of $10,000,000; restricted by donors for capital acquisitions of $1,151,972; net contributions receivable of $7,230,520; bond funds assets held by trustee for debt service of $2,414,707; net capital assets of $134,885,529; and other assets of $1,154,454.

At December 31, 2014, assets consisted primarily of cash and cash equivalents of $24,726,039; short-term investments of $17,259,170; net patient accounts receivable of $7,932,511; estimated amounts due from third-party payers of $1,800,000;contributions receivable of $1,087,500; inventories of $1,991,676; prepaid expenses of $1,193,927; noncurrent cash as follows: internally designate for capital acquisitions of $7,446,032; restricted by donors for capital acquisitions of $6,020,612; net contributions receivable of $5,971,428; assets held by trustee for debt service of $2,335,100; net capital assets of $122,397,916 and other assets of $1,625,206.

Comparable asset balances at December 31, 2013, consisted primarily of cash and cash equivalents of $30,934,799; short-term investments of $18,222,946; net patient accounts receivable of $8,617,397; due from Aspen Valley Hospital Foundation of $1,305,582; inventories of $1,825,820; prepaid expenses of $1,257,740; noncurrent cash restricted by donors for capital acquisitions of $1,309,103; contributions receivable held by Aspen Community Foundation of $4,195,404; assets held by trustee for debt service of $2,334,865; net capital assets of $119,029,441 and other assets of $1,395,407.

The $12,487,343 increase in capital assets during 2015 resulted primarily from the District's continued facilities improvement project referred to as the Master Facilities Plan. During 2015, the third phase of the project broke ground and the majority of its funding is expected to come from philanthropy. As of December 31, 2015, Aspen Valley Hospital Foundation has assisted in raising $36 million of the $60 million goal. The $3,368,475 increase in capital assets during 2014 resulted from the continuance and completion of Phase II of the Master Facilities Plan which was funded in the majority by the proceeds of the 2010 General Obligation Bond Issuances, Series 2010A Tax-Exempt Bonds in the amount of $12,045,000 and Series 2010B Taxable Direct Pay Build America Bonds in the amount of $37,955,000. The bonds issued constitute general obligations of the District. All the taxable property located in the district is subject to the levy of an ad valorem tax to pay the principal, interest and premium on the bonds without limitation as to the rate and in an amount sufficient to pay the Bonds when due. The proceeds of the bonds have been used to finance the Master Facilities Plan.

The continued stabilization in net patient accounts receivable and the increase in cash and cash equivalents during 2015, 2014 and 2013 resulted from the reliable revenue cycle management of MedAssist (a division of Firstsource Solutions), an outside billing specialist. An emphasis on timely communication with third-party payers and effective claims management were instrumental in the retention of cash and cash equivalents, investments and assets internally designated for capital acquisitions for 2015, 2014 and 2013.

The District's total liabilities at December 31, 2015, were $78,265,535; noting accounts payable of $3,299,504; construction payable of $4,548,122; accrued liabilities of $3,513,560; patient and insurance refunds payable of $121,643; unclaimed refunds payable of $85,724; long-term bonds payable of $57,182,779; long-term capital lease obligations of $2,608,863 and current maturities of long-term debt of $5,190,967.

The District's total liabilities at December 31, 2014, were $71,407,872; noting accounts payable of $2,435,299; construction payable of $1,944,365; accrued liabilities of $3,349,992; patient and insurance refunds payable of $62,892; unclaimed refunds payable of $111,436; long-term bonds payable of $60,024,325; long-term capital lease obligations of $476,524 and current maturities of long-term debt of $3,003,039.

At December 31, 2013, total liabilities were $77,352,035; noting accounts payable of $2,873,403; construction payable of $3,836,142; accrued liabilities of $3,692,772; patient and insurance refunds payable of $90,556; unclaimed refunds payable of $85,734; long-term bonds payable of $62,777,796; long-term capital lease obligations of $979,632 and current maturities of long-term debt of $3,015,999.

The $6,857,663 net increase in total liabilities for 2015 was attributed mainly to the increase in capital lease obligations and construction payable. The capital lease obligation increase resulted from the clinical integration initiative between the District and the University of Colorado. This integration includes the purchase of the right to use their electronic medical record system (EPIC), as well as, their accounting system (Lawson/Infor). The construction payable increase resulted from the construction commencement of the third phase of the Master Facilities Plan project which has an expected date of completion of December 2017. The construction payable includes outstanding construction invoices and the related construction retainage. The District did not issue additional debt during 2015 related to the Master Facilities Plan.

The $5,645,345 net decrease in total liabilities for 2014 was attributed mainly to the decrease in construction payable and long-term debt. The construction payable decrease resulted from the completion of the final stages of Phase II of the Master Facilities Plan project. The project's construction began in December 2010 and is expected to expand the facility by 62,200 square feet, while renovating another 26,330 square feet. These square footages do not include an additional 15,500 square feet in employee housing units which provide an additional 18 units and the new three-level parking garage providing 235 parking spaces. This payable includes smaller outstanding construction invoices and a reduced construction retainage balance resulting from releases performed during the 2014 year. The District did not issue additional debt during 2014.

The $8,518,552 net decrease in total liabilities for 2013 was attributed to the decrease in construction payable resulting from the Master Facilities Plan project that began in December of 2010. This payable includes outstanding construction invoices and related construction retainage. The District did not issue additional debt during 2013. However, on August 28, 2012, the District refunded its Variable Rate Demand Revenue Bonds, Series 2003 through the issuance of its Refunding Revenue Bonds, Series 2012. The net effect of the transaction resulted in a reduction in bonds payable of $675,000 and recognition of a loss on refunding of $194,770. The proceeds from the bonds were used to refund the Series 2003 Variable Rate Bonds, to fund the Reserve Fund for the Series 2012 Refunding Revenue Bonds and to pay expenses related to the issuance of the bonds.

The District reported unrestricted net position of $64,612,921 in 2015, $56,588,019 in 2014 and $55,108,209 in 2013. The increase in total net position of $16,773,830 from 2014, $16,992,569 from 2013 and $21,197,844 from 2012 represent net income reported by the District for each year. Net position represents the cumulative changes in gains and losses since the inception of the entity.

Statements of Revenues, Expenses and Changes in Net Position

Patient Service Revenues

The District classifies revenues as operating and nonoperating revenues. Operating revenues consist of net patient service revenues and other revenues. Net patient service revenues result from direct patient care.

Net patient service revenues increased $7,391,918 or 10% in 2015 compared to $4,877,664 or 7.3% in 2014. Net patient service revenue for 2015 in total was $79,596,647 compared to $72,204,729 in 2014 and $67,327,065 in 2013. The increase in revenues during 2015 resulted primarily from increased outpatient volumes in the emergency department ($1.6M), pharmacy ($1.1M), laboratory ($600K), orthopedic clinic ($500K), MRI ($500K), CT Scan ($600K) and radiology ($200K). Inpatient revenues increased primarily in the patient care unit by $500K. In addition, the acuity of the patients (the level of severity of the illness) increased by 7% in 2015. The increase in revenues during 2014 resulted primarily from increased outpatient volumes in surgery ($1.4M), laboratory ($400K), pharmacy ($1.4M), CT Scan ($1M) and the emergency department ($1M). Notably, in 2014, patient acuity dropped by 8.8%. The most significant factors giving rise to the increase in revenues in 2013, was the increase in joint replacement surgeries driven by the purchase of the Makoplasty Robotic technology, which was acquired during the last quarter of 2012. In addition, the acuity of the patients (the level of severity of the illness) increased by 12.4%. These more severe patients require more resources for their treatments in all areas of the hospital, and in particular, the ancillary services (laboratory, radiology and pharmacy).

The District's outpatient service revenues continue to exceed the inpatient service revenues, with 75% of the District's 2015 patient service revenue generated by outpatient services, compared to 74% in 2014 and 69% in 2013. The departments contributing most to outpatient revenues during these years were Outpatient Surgeries, Emergency Room, Laboratory and Diagnostic Imaging.

The payer mix for the District has changed somewhat compared to prior years' experience. The largest portion of the District's patient service revenues were derived from commercial health plans, 55% during 2015, 57% during 2014 and 62% during 2013. In addition, the District continued to derive approximately 28% of gross revenues from Medicare in 2015, 2014 and 2013. Payments for services rendered to patients under these programs are less than billed charges; therefore, the District estimates a provision for contractual adjustments to reduce the total charges to estimated receipts, based upon contractual arrangements. Due to the complicated nature of the contracts and the governmental programs, the actual payments received could differ from the estimates.

Other operating revenues consist of services provided by the District not directly related to patient care. In 2015, the District received $247,114 of fees from the Aspen Ambulance District, related to the management of their operations, compared to $244,713 of fees received in 2014 and $307,826 in 2013. The increase in other operating revenues for 2015 resulted from additional revenues from increased cafeteria business and the new employee housing complex, Castle Creek Meadows, constructed during the second phase of the Master Facilities Plan. The increase in other operating revenues for both 2014 and 2013 of $335,850 and $248,892, respectively, resulted from increases in rental income from new medical office space and employee housing.

Nonoperating revenues and expenses are comprised of ad valorem taxes, investment income, interest expense, community assistance programs, noncapital contributions, gain or loss on investment in joint ventures, gain on equity interests in Midvalley Ambulatory Surgery Center, LLC (ASC) and Midvalley Imaging Center, LLC (MIC) and loss on sale of capital assets. On June 15, 2012, the District formed its own fund raising arm, Aspen Valley Hospital Foundation, whose mission is to solely support the fund raising efforts for the District. During 2013, the District relinquished control of Aspen Valley Hospital Foundation's Board of Directors and, therefore, the 2013 financial statements reflect this entity's 2013 activity under the component units column. During 2014, the District regained control of Aspen Valley Hospital Foundation's operations (by virtue of a majority of members on the Foundation's Executive Committee) and, therefore, the 2015 and 2014 financial statements reflect the operations of Aspen Valley Hospital Foundation within the Aspen Valley Hospital financials and no longer reflects their activity under the component units columns. Nonoperating revenues and expenses for 2015 were $5,351,353 compared to $6,013,678 in 2014 and $7,984,899 for 2013. The $662,375 decrease in nonoperating revenues during 2015 was mainly driven by an increase in ad valorem taxes of $694,226, an increase in interest expense of $697,363, an increase in community assistance programs of $258,505 and a decrease in the gain on equity interests in ASC and MIC of $365,319. The $1,971,271 decrease from 2013 in nonoperating revenues was primarily attributable to a decrease in ad valorem taxes of $1,408,068 and an increase in interest expense of $750,173. The $1,523,325 increase from 2012 in nonoperating revenues was primarily attributable to an increase in ad valorem taxes of $873,896, a decrease in Aspen Valley Hospital Foundation expenses of $483,203 and an increase in noncapital contributions of $378,386.

Expenses

In 2015, operating expenses increased $5,605,162 from the 2014 reported data. The factors giving rise to this increase were an increase in salaries and wages of $1,934,631, an increase in contract labor of $11,411, an increase in supplies and other of $821,468 and an increase in depreciation and amortization of $2,837,607. The most significant factors causing the increases in the salaries and wages were the opening of our OrthoAspen Clinic which involved hiring our first orthopedic physician and clinic staff, the hiring of our second hospitalist and expansion of our social worker program. Additionally, increases in outpatient volumes generated increases in wages in the emergency department, ambulance and pharmacy. Within the supplies and other increase, there was an increase in patient care supplies of $759,107 (resulting from drug expense, laboratory and OrthoAspen supplies); a decrease in physician fees of $360,066 (resulting from a restructuring of the orthopedic physicians coverage and the stabilization of the general surgery program); an increase in advertising and marketing of $67,407 (generated by additional sponsorships); an increase in dues, subscriptions and licenses of $110,335 (resulting from a new pharmacy subscription, the new payroll processing being in place for an entire year, and medical records support for the ICD-10 implementation); a decrease in legal, consulting and audit of $244,826; an increase in outsourcing of $408,131 (driven by the outsourcing of some functions in the IT department); an increase in maintenance and utilities of $198,162 (driven by maintenance contracts and utilities); a decrease in small furniture and minor equipment of $68,773 (due to the completion of Phase II of the Master Facilities Plan); a decrease in rent and storage of $17,878; a decrease in employee benefits of $275,791 (driven by a reduction in group health expense) and an increase in miscellaneous expense of $239,114 (driven primarily by the Medicaid Provider Fee tax charged by the state of Colorado).

In 2014, operating expenses increased $9,306,609 from the 2013 reported data. The factors giving rise to this increase were an increase in salaries and wages of $2,684,198, an increase in contract labor of $426,421, an increase in supplies and other of $2,992,472 and a decrease in depreciation and amortization of $3,203,518. The most significant cause of the increase in the salaries and wages were the increase in volumes in the outpatient areas which drove an increase in surgery, emergency department, diagnostic imaging, cardiopulmonary and pharmacy; the integration of the Aspen Valley Hospital Foundation wages; the staffing of the newly open intensive care unit pavilion and lastly the hiring of the Executive

Director of the Valley Health Alliance (the Valley Health Alliance is an organization made up of the five larger employers in Aspen, Colorado; its purpose is to increase the quality of health care in the community while also lowering health care costs). The increase in contract labor was driven by the integration of Aspen Valley Hospital Foundation expenses into the District's contract labor. Within the supplies and other increase, there was an increase in physician compensation of $468,473 (resulting from a change in the physician provider for general surgery services and a change in the classification of physician salaries in the outpatient clinics); an increase in patient care supplies of $470,818 (resulting from drug expense); an increase in advertising and marketing of $137,584 (generated by Aspen Valley Hospital Foundation expenses); an increase in dues, subscriptions and licenses of $779,524 (resulting from joining the Mayo Clinic Care Network, changing our payroll processing and radiology imaging storage applications and an internal reclassification from maintenance expense); a decrease in legal, consulting and audit of $232,553; an increase in outsourcing of $259,196 (driven by an internal reclassification from contract labor); a decrease in maintenance and utilities of $13,619; an increase in small furniture and minor equipment of $60,339 (due to the Master Facilities Plan construction); an increase in rent and storage of $24,035; an increase in employee benefits of $1,357,571 (driven by an increase in group health expense) and a decrease in miscellaneous expense of $87,920 (driven primarily by the Medicaid Provider Fee tax charged by the state of Colorado).

In 2013, operating expenses increased $4,721,246 from the 2012 reported data. The factors giving rise to this increase were an increase in salaries and wages of $1,152,430, a decrease in contract labor of $131,530, an increase in supplies and other of $4,232,041 and a decrease in depreciation and amortization of $531,695. The most significant cause of the increase in the salaries and wages was the increased volumes in the inpatient surgeries which drove an increase in surgery, inpatient unit, ancillary services and physical therapy departments. In addition, there was a Chief Medical Officer position hired during 2013 and a change in the Chief Executive Officer position which resulted in increased wages in the administration department. Within the supplies and other increase, there was an increase in physician compensation of $338,527 (resulting from new orthopedic call in the emergency department, increase in the hospitalist call fees and increase in locums coverage for the surgery department); an increase in patient care supplies of $1,619,751 (resulting from drug and implantable expense); an increase in advertising and marketing of $98,991; an increase in dues, subscriptions and licenses of $591,763 (resulting from an internal reclassification from maintenance contract expense); an increase in legal and consulting of $751,250; an increase in outsourcing of $218,436 (driven by increased cash collections); an increase in maintenance and utilities of $133,073; an increase in small furniture and minor equipment of $7,439; an increase in rent and storage of $27,146; an decrease in employee benefits of $316,828 and an increase in miscellaneous expenses of $762,497 (resulting from an increase in the Medicaid Provider Fee, which was more than offset by the Medicaid Provider Payments).

Provision for Uncollectible Accounts

The collection of receivables from third-party payers and patients is the District's primary source of cash and is, therefore, critical to the District's operating performance.

The primary collection risks are related to patients' payment portions (deductibles and copayments) not covered by their primary insurance. The Hospital estimates the allowance for uncollectible accounts based primarily upon the age of accounts receivable and the effectiveness of the District's third-party payer collection efforts.

Significant changes in payer mix, District operations, economic conditions, and trends in federal and state governmental health care coverage affect the District's collection of accounts receivable, cash flows and results of operations.

In 2015, the District reported a provision for uncollectible accounts of $2,234,207, compared to $2,705,643 for 2014 and $2,041,933 for 2013. The increased provision in both 2015 and 2014 compared to 2013 resulted from the increase in patient service revenue and the reduction in uncompensated care and to individuals who are covered under high-deductible insurance plans. The District's estimate for allowance for uncollectible accounts is based on MedAssist's analysis, recommendations for modification and implementation of improved billing and collection processes. The provision for uncollectible accounts is included in net patient service revenue.

Accounts written-off as charity and indigent care are included in net patient service revenue. Charity and indigent care write-offs for 2015 were $1,573,440 or 1.5% of gross patient service revenues, compared to $1,724,252 or 1.8% of gross patient service revenue during 2014 and $3,345,549 or 3.7% of gross patient service revenue for 2013. The decrease in charity and indigent care write-offs resulted from the decrease in uninsured patients that are now covered under either Medicaid or high-deductible insurance plans.

Statements of Cash Flows

Liquidity and Capital Resources

The District's cash flows from operations and ad valorem taxes provide the primary sources of funding for the District's ongoing cash needs.

The following is a summary of cash flows for the calendar years ended on December 31, 2015, 2014 and 2013:

Cash Flows	2015	2014	2013
Operating activities	$ 15,749,738	$ 7,896,389	$ 7,804,319
Noncapital financing activities	3,391,156	3,613,127	3,596,606
Capital and related financing activities	(13,050,175)	(7,111,085)	(20,333,350)
Investing activities	747,118	1,298,574	21,222,714
Net increase in cash and cash equivalents	$ 6,837,837	$ 5,697,005	$ 12,290,289

In 2015, the District's cash flow from operations increased $7,853,349 as compared to 2014 from increased receipts from and on behalf of patients of $7,004,637, decreased payments to suppliers of $2,044,879 (an increase in cash), increased payments to employees of $995,318 (a decrease in cash) and a decrease in other receipts of $200,849. During 2014, the District's cash flow from operations increased $92,070 as compared to 2013 from increased receipts from and on behalf of patients of $5,249,011, increased payments to suppliers of $4,099,186 (a decrease in cash), increased payments to employees of $3,568,036 (a decrease in cash) and increased other receipts of $2,510,281. The District's cash flow from operations increased $781,235 during 2013 from increased receipts from patients and third-party payers of $5,854,342, increased payments to suppliers of $3,373,602 (a decrease in cash), increased payments to employees of $1,165,688 (a decrease in cash) and decreased cash receipts from others of $533,817.

Noncapital financing reflects a decrease in cash flows in 2015 of $221,971 resulting from a decrease in ad valorem tax receipts of $993 (an increase in cash), an increase in community assistance programs of $258,505, and a decrease in noncapital contributions of $35,541. In 2014, noncapital financing reflects an increase in cash flows of $16,521 resulting from an increase in ad valorem tax receipts of $25,787, a decrease in community assistance programs of $40,150 (an increase in cash) and a decrease in noncapital contributions of $49,516. In 2013, noncapital financing reflects an increase in cash flows of $543,646 resulting from a decrease in ad valorem tax receipts of $65,396, an increase in community assistance program payments of $64,803 (a decrease in cash), a decrease in Aspen Valley Hospital Foundation expenses of $483,203 (an increase in cash) and an increase in noncapital contributions of $190,642.

In 2015, the net cash used in capital and related financing activities increased by $5,939,090 primarily due to an increase in ad valorem tax receipts of $657,529, an increase in the purchase of capital assets of $4,382,777 (a decrease in cash), an increase in proceeds from the sale of capital assets of $26,595 (an increase in cash), an increase in principal payments on long-term debt of $88,653 (a decrease in cash), an increase in interest payments on long-term debt of $695,881 (a decrease in cash) and a decrease in capital contributions of $1,680,903 (a decrease in cash). In 2014, the net cash used in capital and related financing activities decreased by $13,222,265 primarily due to a decrease in ad valorem tax receipts of $1,366,672, a decrease in the purchase of capital assets of $13,636,369 (an increase in cash), a decrease in principal payments on long-term debt of $600,463 (an increase in cash) and an increase in interest payments on long-term debt of $748,478 (a decrease in cash) and an increase in capital contributions of $1,103,996. In 2013, cash flow used in capital and related financing activities increased by $14,718,627 primarily due to an increase in ad valorem tax receipts of $780,202, a decrease in the purchases of capital assets of $9,164,852 (an increase in cash), a decrease in principal payments on long-term debt of $603,980 (an increase in cash) and an increase in capital contributions of $4,190,869.

In 2015, investing activities reflected a decrease in cash flows of $551,456 as compared to 2014 from an increase in purchases of investments of $110,812 (a decrease in cash), a decrease in proceeds from sale of investments of $929,867 (a decrease in cash), a decrease in investment income of $184,456 (a decrease in cash), an increase in transfer of equity of $960,923 (an increase in cash) and a decrease in member distributions of $287,244. In 2014, investing activities reflected a decrease of $19,924,140 as compared to 2013 from a decrease in proceeds from sale of investments of $18,721,752, an increase in investment income of $228,989, a decrease in transfer of equity of $1,443,885 and an increase in member distributions of $12,508. During 2014, the District regained control of its fund raising entity, Aspen Valley Hospital Foundation, which resulted in the District transferring the net position of this entity ($960,923 loss) into the District's net position. In 2013, investing activities reflected an increase of $17,203,939 as compared to 2012 from an increase in proceeds from sale of investments of $17,280,544, a decrease in investment income of $37,165 (a decrease in cash) and a decrease in member distributions of $522,402 (a decrease in cash). In 2013, the District retained in cash certificates of deposits that matured in order to continue to fund the Master Facilities Plan Expansion with its own cash in contrast to 2012 and 2011, when the District purchased investments, in addition to holding investments purchased in previous years while the proceeds from the Series 2010 General Obligation Bonds were unexpended.

Outstanding Debt Securities

The District has not issued additional debt in the last three years. On August 28, 2012, the District refunded its Variable Rate Demand Revenue Bonds, Series 2003 (which included an irrevocable letter of credit), in the amount of $11,715,000, through the issuance of its Refunding Revenue Bonds, Series 2012 in the amount of $10,040,000. The proceeds from the bonds were used to refund Variable Rate Demand Revenue Bonds, Series 2003, to fund the Reserve Fund for the Refunding Revenue Bonds, Series 2012 and to pay expenses related to the issuance of the bonds.

At the November 2, 2010 election, the electors of the District approved the issuance of general obligation bonds to be held by the District in an amount not to exceed $50,000,000, with a total repayment cost not to exceed $86,850,000 and a maximum annual repayment cost not to exceed $4,363,000. The electors also approved increased ad valorem property taxes to pay debt service on such bonds, provided that the annual amount of such taxes not exceed $4,363,000. As a result of the favorable election, on December 15, 2010, the District issued two General Obligation Bonds: Series 2010A Tax-Exempt General Obligation Bonds in the amount of $12,045,000 and Series 2010B Taxable General Obligation Direct Pay Build America Bonds in the amount of $37,955,000. The bonds constitute general obligations of the District. As approved in the election, all of the taxable property located in the District is subject to the levy of the ad valorem tax to pay the principal and interest on the bonds, without limitation as to rate and in an amount sufficient to pay the bonds when due. The bonds were issued in order to finance the modernization and expansion of the District's facility to meet contemporary standards for treatment and technology, enhancing the quality, safety and privacy of patient care and rightsizing and reconfiguring of the facility to meet the present and future health care needs of the community. The District's Master Facility Plan Phase II Expansion and Renovation Project was approved by the City of Aspen on July 12, 2010, and construction began during the month of December 2010 and was completed during 2015. The District commenced construction of Phase III of the Master Facilities Plan in April of 2015 and expects to complete Phase III by December of 2017. The third and fourth phases on the Master Facilities Plan are expected to be funded from both cash reserves and philanthropy. The District does not expect to issue new debt in order to fund these last two phases.

Budgetary Highlights

The District is responsible for funding expenses from cash generated through its operations and from the ad valorem taxes received during the calendar year. The District prepares a budget to reflect the expected revenues and expenses generated through its operations. Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

The District's Board of Directors approved the 2016 and 2015 budgets during the last quarter of the 2015 and 2014 calendar years, respectively. There were no amendments made to the original budgets presented to the State of Colorado for the calendar years 2015 and 2014.

During 2015, net patient service revenue was $6,082,112 (8%) higher than budget, while operating expenses were $2,941,463 (4%) higher than budget. In 2014, net patient service revenue was $4,081,289 (6%) higher than budget, while operating expenses were $3,615,551 (5.3%) higher than budget.

Please see page 53 for the statement of budgeted and actual revenues and expenses for the year ended December 31, 2015.

Economic Factors and Next Year's Budget

During 2015, the District continued to see declines in inpatient revenues and increases in outpatient revenues. In 2014, outpatient revenues were 74.3% of total revenues, while in 2015 outpatient revenues were 75.3% of total revenues. In addition, the District experienced changes in payer mix over a three-year period. Commercial insurance represented 62% of gross patient revenues in 2013, while in 2015 commercial insurance represented only 55% of gross patient revenues. Medicare revenues were 28% of gross patient revenues in 2013, and 30% of gross patient revenues in 2015. Revenues related to indigent care were 3.7% ($3,345,549) of gross patient revenues in 2013, while in 2015 those revenues were 1.6% ($1,573,440) of gross patient revenues. This change in the amount of indigent care is due to the fact that the State of Colorado is a Medicaid expansion State under the *Affordable Care Act*. Consequently, many of the patients who were previously uninsured patients are now covered under Medicaid. The District continued to experience increasing volumes in Medicaid revenues during 2015. There was a 28% increase in Medicaid volumes compared to 2014. During 2014, Medicaid revenues were three times as high as they were the prior year. From 2014 to 2015, the District saw an increase in operating expenses of $5.6 million. This increase was primarily driven by additional depreciation expense due to the Master Facilities Plan of $2,836,654; by an increase in salaries of $1,935,603; and by an increase in patient care supplies of $759,107.

In November of 2015, the District signed a clinical integration agreement with the University of Colorado that will provide the District opportunities for physician and nursing staff education, shared best practices with regard to clinical protocols, on-site specialists not currently available to patients in the area, and rights to use their electronic medical record (not otherwise available to a health care entity the size of the District). In addition, access to the sophisticated electronic medical record will allow the District to attest for the Medicare and Medicaid Electronic Health Record Program beginning in the year 2016.

The District continues to outsource its billing office to MedAssist (a division of Firstsource Solutions) located in Belleville, Illinois. This arrangement continues to result in the extraordinary management of accounts receivable and increased unrestricted cash. Evidence of this is in the fact that net days in accounts receivable for the past three years averaged 43 days.

In November of 2013, the District became a part of the Mayo Clinic Care Network. This affiliation allows the District's physicians to access highly skilled physicians within the Mayo Clinic Care Network when a second opinion is needed on complex cases. In addition, the Mayo Clinic Care Network provides on-going educational opportunities for the District's physicians, nurses and other clinicians.

Several years ago, the five largest self-insured employers in Aspen, Colorado, joined together to form the Valley Health Alliance. This alliance has as its objective the development of programs and protocols that will lower health care costs and enhance the patient experience while increasing health care quality in the Aspen community. This alliance is governed by a board that continues to implement various initiatives that advance its objectives.

In constructing the District's 2016 budget, management took into account the effects of the local and national economy, and anticipated changes in volumes in both outpatient and inpatient populations. As a result of these assumptions, gross patient service revenues for 2016 are budgeted to increase by approximately 13% over the 2015 levels; and operating expenses are expected to increase by approximately 14%, generating an anticipated net position for 2016 of $17.9 million, which is an increase of $1.6 million from 2015.

Contacting the District's Financial Management

This management discussion and analysis report is designed to provide interested parties with a general overview of the District's financial activity for the 2015, 2014 and 2013 calendar years and to demonstrate the District's accountability for its management of the finances of the District. Questions about this report should be directed to Ginette Sebenaler, Aspen Valley Hospital District's Interim Chief Financial Officer, at 0401 Castle Creek Road, Aspen, Colorado 81611.

Aspen Valley Hospital District

Balance Sheets

December 31, 2015 and 2014

Assets and Deferred Outflows of Resources

	2015		2014	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Assets				
Cash and cash equivalents	$ 33,733,048	$ 111,054	$ 24,726,039	$ 187,077
Short-term investments	17,369,982	-	17,259,170	-
Patient accounts receivable, net	9,436,422	437,742	7,932,511	661,600
Estimated amounts due from third-party payers	1,534,667	-	1,800,000	-
Contributions receivable	225,000	-	1,087,500	-
Other receivables	1,234,048	5,000	517,441	5,000
Inventories	2,252,581	216,656	1,991,676	212,493
Prepaid expenses	1,180,645	-	1,193,928	-
Total current assets	66,966,393	770,452	56,508,265	1,066,170
Noncurrent Cash and Investments				
Internally designated for capital acquisitions	10,000,000	-	7,446,032	-
Restricted by donors for capital acquisitions	1,151,972	-	6,020,612	-
Restricted by donors for specific operating activities	72,469	-	106,112	-
Contributions receivable, net	6,841,671	-	5,971,428	-
Contributions receivable held by Aspen Community Foundation	388,849	-	217,863	-
Held by Aspen Community Foundation for capital acquisitions	598	-	31,574	-
Bond funds restricted for capital acquisitions	300,036	-	200,500	-
Held by trustee for debt service	2,414,707	-	2,335,100	-
	21,170,302	-	22,329,221	-
Capital Assets, Net	134,885,259	333,087	122,397,916	398,792
Other Assets				
Investment in joint venture	206,596	-	206,029	-
Equity interests in ASC and MIC	528,590	-	600,512	-
Net pension asset	-	-	399,397	-
Other	419,268	-	419,268	-
	1,154,454	-	1,625,206	-
Total assets	224,176,408	1,103,539	202,860,608	1,464,962
Deferred Outflows of Resources				
Pension	2,381,607	-	-	-
Unamortized loss on refunding 2003 bonds	160,815	-	171,661	-
Unamortized loss on refunding 2000 and 2001 bonds	504,799	-	559,867	-
	3,047,221	-	731,528	-
Total assets and deferred outflows of resources	$ 227,223,629	$ 1,103,539	$ 203,592,136	$ 1,464,962

See Notes to Financial Statements

Liabilities and Net Position

	2015		2014	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Liabilities				
Current maturities of long-term debt	$ 5,190,967	$ -	$ 3,003,039	$ 38,049
Accounts payable	3,299,504	6,334	2,435,299	35,642
Accrued salaries, benefits and payroll taxes	2,117,288	-	1,855,236	-
Other accrued liabilities	1,396,272	62,443	1,494,756	200,669
Refunds payable	121,643	-	62,892	-
Unclaimed refunds payable	85,724	-	111,436	-
Construction payable	4,548,122	-	1,944,365	-
Total current liabilities	16,759,520	68,777	10,907,023	274,360
Long-term Debt				
Bonds payable	57,182,779	-	60,024,325	-
Capital lease obligations	2,608,863	-	476,524	13,123
	59,791,642	-	60,500,849	13,123
Net Pension Liability	1,714,373	-	-	-
Total liabilities	78,265,535	68,777	71,407,872	287,483
Net Position				
Net investment in capital assets	73,249,907	-	59,826,056	-
Restricted - expendable for				
Debt service	2,414,707	-	2,335,100	-
Capital acquisitions	7,893,845	-	12,063,780	-
Specific operating activities	786,714	-	1,371,309	-
Reserved for minority interests	-	507,033	-	576,965
Unrestricted	64,612,921	527,729	56,588,019	600,514
Total net position	148,958,094	1,034,762	132,184,264	1,177,479
Total liabilities and net position	$ 227,223,629	$ 1,103,539	$ 203,592,136	$ 1,464,962

Aspen Valley Hospital District

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2015 and 2014

	2015		2014	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Revenues				
Net patient service revenue	$ 79,596,647	$ 3,626,067	$ 72,204,729	$ 4,895,153
Other	2,625,183	-	2,400,005	-
Total operating revenues	82,221,830	3,626,067	74,604,734	4,895,153
Operating Expenses				
Salaries and wages	29,229,303	558,214	27,294,627	735,601
Contract labor	1,345,443	-	1,334,032	-
Supplies and other	37,545,244	1,872,471	36,723,776	2,261,886
Depreciation and amortization	9,829,681	86,517	6,992,074	87,255
Total operating expenses	77,949,671	2,517,202	72,344,509	3,084,742
Operating Income	4,272,159	1,108,865	2,260,225	1,810,411
Nonoperating Revenues (Expenses)				
Ad valorem taxes	7,095,955	-	6,401,729	-
Investment income	152,178	4,812	330,582	21,271
Interest expense	(2,446,569)	-	(1,749,206)	-
Community assistance programs	(424,370)	-	(165,865)	-
Noncapital contributions	365,315	-	329,774	-
Gain on investment in joint venture	34,582	-	47,604	-
Gain on equity interests in ASC and MIC	568,839	-	934,158	-
Gain (loss) on sale of capital assets	5,423	-	(115,048)	-
Total nonoperating revenues	5,351,353	4,812	6,013,728	21,271
Excess of Revenues Over Expenses Before Capital Contributions, Credit for Uncollectible Capital Contributions, Forgiveness of Debt, Transfer of Equity and Member Distributions	9,623,512	1,113,677	8,273,953	1,831,682
Capital contributions	6,655,653	-	8,468,422	-
Credit for uncollectible capital contributions	234,934	-	830,726	-
Forgiveness of debt	-	-	380,391	-
Transfer of equity	-	-	(960,923)	960,923
Member distributions	-	(1,256,394)	-	(1,819,615)
Change in Net Position	16,514,099	(142,717)	16,992,569	972,990
Net Position, Beginning of Year, as previously reported	132,184,264	1,177,479	115,191,695	204,489
Change in Accounting Principle - GASB No. 68 and No. 71	259,731	-	-	-
Net Position, Beginning of Year, as restated	132,443,995	1,177,479	115,191,695	204,489
Net Position, End of Year	$ 148,958,094	$ 1,034,762	$ 132,184,264	$ 1,177,479

Aspen Valley Hospital District

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015		2014	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Activities				
Receipts from and on behalf of patients	$ 78,391,108	$ 3,849,925	$ 71,386,471	$ 4,879,342
Payments to suppliers	(36,430,772)	(2,044,168)	(38,475,651)	(3,598,981)
Payments to employees	(28,975,357)	(558,214)	(27,980,039)	(735,601)
Other receipts (payments), net	2,764,759	-	2,965,608	20,157
Net cash provided by operating activities	15,749,738	1,247,543	7,896,389	564,917
Noncapital Financing Activities				
Ad valorem taxes	3,450,211	-	3,449,218	-
Community assistance programs	(424,370)	-	(165,865)	-
Noncapital contributions	365,315	-	329,774	-
Member distributions	-	(1,256,394)	-	(1,819,615)
Net cash provided by noncapital financing activities	3,391,156	(1,256,394)	3,613,127	(1,819,615)
Capital and Related Financing Activities				
Ad valorem taxes	3,652,061	-	2,994,532	-
Purchases of capital assets	(17,193,292)	(20,812)	(12,810,515)	(40,907)
Proceeds from sale of capital assets	27,482	-	887	1,309
Principal payments on long-term debt	(2,911,660)	(51,172)	(2,823,007)	(17,218)
Interest payments on long-term debt	(2,474,124)	-	(1,778,243)	-
Capital contributions	5,849,358	-	7,305,261	-
Net cash used in capital and related financing activities	(13,050,175)	(71,984)	(7,111,085)	(56,816)
Investing Activities				
Purchase of investments	(110,812)	-	-	-
Proceeds from sale of investments	30,976	-	960,843	-
Investment income	186,193	4,812	370,649	21,271
Transfer of equity	-	-	(960,923)	960,923
Member distributions	640,761	-	928,005	-
Net cash provided by investing activities	747,118	4,812	1,298,574	982,194
Increase (Decrease) in Cash and Cash Equivalents	6,837,837	(76,023)	5,697,005	(329,320)
Cash and Cash Equivalents, Beginning of Year	40,834,395	187,077	35,137,390	516,397
Cash and Cash Equivalents, End of Year	$ 47,672,232	$ 111,054	$ 40,834,395	$ 187,077

Aspen Valley Hospital District

Statements of Cash Flows (Continued)

Years Ended December 31, 2015 and 2014

	2015		2014	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Reconciliation of Cash and Cash Equivalents to the Balance Sheets				
Cash and cash equivalents	$ 33,733,048	$ 111,054	$ 24,726,039	$ 187,077
Internally designated for capital acquisitions	10,000,000	-	7,446,032	-
Restricted by donors for capital acquisitions and specific operating activities	1,151,972	-	6,020,612	-
Restricted by donors for specific operating activities	72,469	-	106,112	-
Bond funds restricted for capital acquisitions	300,036	-	200,500	-
Held by trustee for debt service	2,414,707	-	2,335,100	-
Total cash and cash equivalents	$ 47,672,232	$ 111,054	$ 40,834,395	$ 187,077
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	$ 4,272,159	$ 1,108,865	$ 2,260,225	$ 1,810,411
Depreciation and amortization	9,829,681	86,517	6,992,074	87,255
Provision for uncollectible accounts	2,234,207	-	2,705,643	-
Change in operating assets and liabilities				
Patient accounts receivable	(3,738,118)	223,858	(2,020,757)	(15,811)
Contributions receivable	862,500	-	(1,087,500)	11,231
Other receivables	(722,924)	-	522,141	8,926
Inventories	(260,905)	(4,163)	(165,856)	(35,335)
Prepaid expenses	13,283	-	63,812	-
Net pension asset	399,397	-	(41,489)	-
Other assets	-	-	1,130,962	-
Accounts payable	2,034,143	(29,308)	(728,427)	(19,648)
Accrued salaries, benefits and payroll taxes	262,052	-	(643,923)	-
Other accrued liabilities	673,394	(138,226)	412,628	(1,282,112)
Refunds payable	58,751	-	(27,664)	-
Unclaimed refunds payable	(25,712)	-	25,702	-
Estimated amounts due from and to third-party payers	265,333	-	(1,501,182)	-
Net pension liability	(407,503)	-	-	-
Net cash provided by operating activities	$ 15,749,738	$ 1,247,543	$ 7,896,389	$ 564,917
Supplemental Cash Flows Information				
Capital lease obligations for equipment	$ 4,483,850	$ -	$ 28,811	$ -
Capital asset acquisitions included in current liabilities	$ 4,492,884	$ -	$ 3,830,943	$ -
Amortization of loss on refunding	$ 65,914	$ -	$ 65,915	$ -
Amortization of bond premiums	$ 93,469	$ -	$ 94,952	$ -

Aspen Valley Hospital District
Statements of Fiduciary Net Position
December 31, 2015 and 2014

	2015	2014
Assets		
Receivables		
Employer contribution receivable	$ -	$ 133,912
Total receivables	-	133,912
Investments		
Large U.S. equity	6,693,475	6,100,325
Small/Mid U.S. equity	1,650,884	1,577,529
International equity	2,482,025	2,476,017
Balanced/Asset allocation	949,718	1,007,628
Fixed income	7,775,678	7,967,558
Other	1,303,679	1,226,014
Total investments	20,855,459	20,355,071
Total assets	20,855,459	20,488,983
Net Position Restricted for Pensions	$ 20,855,459	$ 20,488,983

Aspen Valley Hospital District

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2015 and 2014

	2015	2014
Additions		
Contributions:		
Employer	$ 1,394,758	$ 1,158,533
Total contributions	1,394,758	1,158,533
Investment income:		
Net increase (decrease) in fair value of investments	(172,616)	1,026,172
Less investment expense	(12,750)	(11,716)
Net income from investments	(185,366)	1,014,456
Total additions	1,209,392	2,172,989
Deductions		
Benefit payments	836,696	711,956
Administrative expense	6,220	2,130
Total deductions	842,916	714,086
Net increase in net position	366,476	1,458,903
Net Position Restricted for Pensions		
Beginning of year	20,488,983	19,030,080
End of year	$ 20,855,459	$ 20,488,983

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Aspen Valley Hospital District (the District), a political subdivision of the state of Colorado, operates the Aspen Valley Hospital (the Hospital), a 25-bed acute care facility that is designated by Medicare as a critical access hospital (CAH) located in Aspen, Colorado; Whitcomb Terrace, an assisted living facility; Mountain Oaks, Beaumont Lodge and Castle Creek Meadows, all employee housing complexes; and has a 3% interest in Healthcare Management, LLC. The District is governed by a Board of Directors consisting of five members elected by the residents of the District. The District is not a component unit of another governmental entity.

Aspen Valley Hospital Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation's primary function is to raise and hold funds to support the District and its programs. The board of the Foundation is appointed by the District and has a minimum of three Directors (two of which are Hospital Board of Directors members and one is the Hospital's chief executive officer (CEO)). Any other Directors beyond these three are not appointed by the District, but rather a Nominating Committee. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the District. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is presented in the District's financial statements using blended presentation.

Midvalley Ambulatory Surgery Center, LLC (ASC) has been organized as a Colorado limited liability company to acquire, own and operate an ambulatory surgery center located in Basalt, Colorado. The members of ASC include the District and Surgical Management, LLC (SM), a Colorado corporation. The equity interests are 51% and 49%, respectively. The operating agreement between the District and SM states that the District shall elect three persons as board members and SM shall elect two persons as board members. As the District has a 51% ownership interest in ASC and appoints a voting majority of ASC's board members, the District can impose its will on ASC. The purpose of the Hospital's equity interest in ASC is to further enhance the services provided by the District. As a result, ASC is considered a component unit of the District and included in the financial statements of the District using discrete presentation. Separate complete financial statements are not prepared other than what is included in these financial statements.

Midvalley Imaging Center, LLC (MIC) has been organized as a Colorado limited liability company to operate one or more imaging centers in Basalt, Colorado, and the surrounding area. The members of MIC include the District and Midvalley Imaging Investors, LLC. The equity interests are 51% and 49%, respectively. As the District has a 51% ownership interest in MIC, the District can impose its will on MIC. The purpose of the Hospital's equity interest in MIC is to further enhance the services provided by the District. As a result, MIC is considered a component unit of the District and included in the financial statements of the District using discrete presentation. Separate complete financial statements are not prepared other than what is included in these financial statements.

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific such as county appropriations), ad valorem taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

The District's government-wide financial statements (balance sheets and statements of revenues, expenses and changes in net position and statements of cash flows) are comprised of an enterprise fund and discretely presented component units that use proprietary fund reporting. The only other fund of the District is a fiduciary fund (employee retirement fund) that is excluded from the government-wide financial statements and is presented separately as fund financial statements. The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, cash equivalents consisted primarily of money market accounts with financial institutions.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income consists predominantly of interest income.

Noncurrent cash and investments are assets internally designated for capital acquisitions, bond fund restricted for capital acquisitions, and held by trustees under the Bond Indenture Agreements for debt service. The internally designated funds remain under the control of the District's Board of Directors, which may at its discretion later use the funds for other purposes.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	7 – 25 years
Buildings	5 – 40 years
Fixed equipment	5 – 20 years
Moveable equipment	3 – 20 years
Employee housing	5 – 25 years

The District capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred was:

	2015	2014
Total interest expense incurred on borrowings for project	$ -	$ 771,878
Build America Bonds credit and interest income from investment of proceeds of borrowings for project	-	659,806
Net interest cost capitalized	$ -	$ 112,072
Interest capitalized	$ -	$ 771,878
Interest charged to expense	2,446,569	-
	$ 2,446,569	$ 771,878

Construction contracts of approximately $43,778,597 exist for the Hospital expansion Phases III and IV. At December 31, 2015, the remaining commitment on these contracts is approximately $30,462,951.

Compensated Absences

District policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as PTO benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Bond Premium and Loss on Refunding

Bond premiums are being amortized over the life of the related debt using the effective interest method. The unamortized bond premiums are included as an addition to revenue bonds payable and are reflected as both current and long-term in the balance sheets. The losses on refunding are being amortized over the term of the related bonds using the straight-line method, which approximates the interest method. The unamortized losses on refunding are included as a deferred outflow of resources in the balance sheets. The amortization of both the bond premiums and the losses on refunding are recorded as a reduction and an addition to interest expense, respectively.

Defined Benefit Pension Plan

The District has a single-employer defined benefit pension plan, the Cash Balance Retirement Plan, (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of the District is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Reserved for minority interests consist of the component units minority interests held by outside parties. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and bad debts expense. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Net patient service revenue is reported net of charity care. Charges excluded from revenue under the District's charity care policy were $1,573,440 and $1,724,252 for 2015 and 2014, respectively.

Ad Valorem Taxes

The District received approximately 3% of its sources of funds from ad valorem taxes related to the general operating mill levy in both years ending 2015 and 2014. These funds were used to support the operating and capital needs of the District. In November 2010, the voters in the District approved the District's mill levy for a five-year period through 2015. In addition, the voters also approved a separate general obligation bond and interest mill levy to fund the debt service of the Series 2010 bond issuance. The District received approximately 3% of its sources of funds from ad valorem taxes related to the general obligation bond and interest mill levy in 2015 and 2014, respectively.

Ad valorem taxes are assessed on January 1 of each year. The District recognizes the tax revenue in the period it is assessed.

Income Taxes

As a political subdivision of the state of Colorado, the District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Implementation of New Accounting Principles

In 2015, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These Statements established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions provided by employers, these Statements identified the methods and assumptions that should be used to project benefit payments, discounts projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The District has not restated its financial statements as of and for the year ended December 31, 2014, because actuarial information was not readily available for that period, thus making restatement of the 2014 financial statements impractical. The impact of implementing the Statements was shown as a change in the beginning net position in the 2015 fiscal year. The adjustment increasing beginning net position by $259,731 is comprised of the net pension liability at January 1, 2015, of ($499,424) plus deferred outflows or resources of $1,158,533 for contributions made subsequent to the measurement date of December 31, 2013 through December 31, 2014, less the elimination of the net pension asset at December 31, 2014, of $399,378.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare. The District is licensed as a CAH. Under this reimbursement system, inpatient acute care and swing-bed services rendered to Medicare program beneficiaries are paid under cost reimbursement methodologies. Outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and cost reimbursement methodologies. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the District and audit thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The District is reimbursed for cost-reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid administrative contractor.

Other. The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements is primarily discounts from established charges.

Approximately 37% and 32% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2015 and 2014, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Net patient service revenue is computed as follows for the years ended December 31:

	2015	2014
Gross patient service revenue	$ 101,952,725	$ 94,418,205
Less		
Medicare contractual adjustments	8,485,009	7,497,640
Medicaid contractual adjustments	1,174,270	2,169,034
Other contractuals and adjustments	8,889,152	8,116,907
Charity care	1,573,440	1,724,252
Provision for uncollectible accounts	2,234,207	2,705,643
Net patient service revenue	$ 79,596,647	$ 72,204,729

Note 3: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The *Colorado Public Deposit Protection Act* requires financial institutions to collateralize any uninsured public deposits. Any excess of deposits over the FDIC limit that are not insured are covered by collateral pledged by the financial institution in accordance with the *Colorado Public Deposit Protection Act*.

At December 31, 2015 and 2014, $1,000,000 of the District's bank balances of $71,209,155 and $58,450,282 were insured by FDIC coverage, respectively. The remainder of the District's bank balances of $70,209,155 and $57,450,282 were protected by the *Colorado Public Deposit Protection Act* noted above.

Investments

The District may legally invest in direct obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies. It may also invest fiduciary funds in other investments. At December 31, 2015 and 2014, investments, not including fiduciary fund assets, amounted to $1,346,033 and $1,265,017, respectively. Investments under bond agreements, with the exception of those included in deposits, were invested in direct obligations of the U.S. Government through pooled investments. Investments held by the Aspen Community Foundation are invested in money markets. Investments are reported at fair value and have maturities of less than one year.

Fiduciary fund assets of $20,855,459 and $20,488,983 at December 31, 2015 and 2014, respectively, are invested in pooled separate accounts and are reported at fair value. None of the funds are subject to concentration of credit risk, custodial credit risk or foreign currency risk.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2015	2014
Carrying value		
Deposits	$ 63,693,571	$ 56,857,282
Investments	1,346,033	1,265,017
Fiduciary fund assets	20,855,459	20,488,983
Cash on hand and change funds	3,208	2,840
	$ 85,898,271	$ 78,614,122
Included in the following balance sheet captions		
Cash and cash equivalents	$ 33,733,048	$ 24,726,039
Short-term investments	17,369,982	17,259,170
Internally designated for capital acquisitions	10,000,000	7,446,032
Restricted by donors for capital acquisitions	1,151,972	6,020,612
Restricted by donors for specific operating activities	72,469	106,112
Held by Aspen Community Foundation	598	31,574
Bond funds restricted for capital acquisitions	300,036	200,500
Held by trustee under bond agreement	2,414,707	2,335,100
Held by trustee under pension plan agreement (fiduciary fund assets)	20,855,459	20,488,983
	$ 85,898,271	$ 78,614,122

Note 4: Patient Accounts Receivable

The District grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. Patient accounts receivable, net consists of the following at December 31:

	2015	2014
Medicare	$ 1,713,898	$ 1,571,162
Medicaid	386,086	338,473
Blue Cross	1,868,236	1,376,618
Other third-party payers	5,421,690	4,558,431
Self-pay	659,674	467,130
	10,049,584	8,311,814
Less allowance for uncollectible accounts	613,162	379,303
	$ 9,436,422	$ 7,932,511

Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	2015				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 267,057	$ -	$ -	$ -	$ 267,057
Land improvements	17,378,780	-	-	235,448	17,614,228
Buildings	49,003,828	337,525	-	2,077,473	51,418,826
Fixed equipment	38,731,980	-	-	460,148	39,192,128
Moveable equipment	34,610,242	1,543,503	(2,371,533)	148,495	33,930,707
Employee housing	13,207,422	25,023	-	6,642	13,239,087
Construction in progress	11,244,436	20,433,032	-	(2,928,206)	28,749,262
	164,443,745	22,339,083	(2,371,533)	-	184,411,295
Less accumulated depreciation					
Land improvements	678,791	1,147,695	-	-	1,826,486
Buildings	10,314,083	2,454,128	-	-	12,768,211
Fixed equipment	3,312,459	2,778,644	-	-	6,091,103
Moveable equipment	23,471,952	2,991,418	(2,349,474)	-	24,113,896
Employee housing	4,268,544	457,796	-	-	4,726,340
	42,045,829	9,829,681	(2,349,474)	-	49,526,036
Capital assets, net	$122,397,916	$ 12,509,402	$ (22,059)	$ -	$134,885,259

	2014				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 267,057	$ -	$ -	$ -	$ 267,057
Land improvements	325,225	-	(40,393)	17,093,948	17,378,780
Buildings	13,862,457	-	-	35,141,371	49,003,828
Fixed equipment	4,127,941	-	(22,733)	34,626,772	38,731,980
Moveable equipment	33,841,928	776,690	(2,331,714)	2,323,338	34,610,242
Employee housing	8,598,278	37,106	(33,724)	4,605,762	13,207,422
Construction in progress	95,372,939	9,662,688	-	(93,791,191)	11,244,436
	156,395,825	10,476,484	(2,428,564)	-	164,443,745
Less accumulated depreciation					
Land improvements	125,289	577,027	(23,525)	-	678,791
Buildings	8,791,986	1,522,097	-	-	10,314,083
Fixed equipment	1,788,150	1,542,745	(18,436)	-	3,312,459
Moveable equipment	22,736,968	2,974,544	(2,239,560)	-	23,471,952
Employee housing	3,923,991	375,661	(31,108)		4,268,544
	37,366,384	6,992,074	(2,312,629)	-	42,045,829
Capital assets, net	$119,029,441	$ 3,484,410	$ (115,935)	$ -	$122,397,916

Note 6: Medical Malpractice Claims

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience an accrual of $201,680 and $150,000 has been recorded as of December 31, 2015 and 2014, respectively. It is reasonably possible that this estimate could change materially in the near term. The District is subject to the provisions of the *Colorado Government Immunity Act* which provides a limitation on the liability of the District.

Note 7: Employee Health Claims

The District partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for all claims in excess of $175,000 and $150,000 for the years ended December 31, 2015 and 2014, respectively, per individual participant and aggregate stop-loss at predetermined amounts annually. Other accrued liabilities on the balance sheet include an accrual for claims which have been incurred but not reported. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors.

Activity in the District's accrued employee health claims liability during 2015 and 2014 is summarized as follows:

	2015	2014
Balance, beginning of year	$ 696,798	$ 637,974
Current year claims incurred and changes in estimates for claims incurred in prior years	5,760,694	5,205,328
Claims and expenses paid	(5,907,959)	(5,146,504)
Balance, end of year	$ 549,533	$ 696,798

Note 8: Taxes, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (TABOR), which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment excludes enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined. The District is of the opinion that its operations qualify for this exclusion.

Note 9: Long-term Debt

The following is a summary of long-term obligation transactions for the District for the years ended December 31:

2015

	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2007 revenue bonds payable	$ 9,455,000	$ -	$ (600,000)	$ 8,855,000	$ 625,000	$ 8,230,000
2010 general obligation bonds payable	42,140,000	-	(2,060,000)	40,080,000	2,125,000	37,955,000
2012 revenue bonds payable	10,040,000	-	-	10,040,000	-	10,040,000
Capital leases	726,094	4,483,850	(252,119)	4,957,825	2,349,421	2,608,404
	62,361,094	4,483,850	(2,912,119)	63,932,825	5,099,421	58,833,404
Unamortized premium on Series 2007 bonds	110,777	-	(14,838)	95,939	14,436	81,503
Unamortized premium on Series 2010 bonds	353,156	-	(35,277)	317,879	34,215	283,664
Unamortized premium on Series 2012 bonds	678,861	-	(42,895)	635,966	42,895	593,071
	$ 63,503,888	$ 4,483,850	$ (3,005,129)	$ 64,982,609	$ 5,190,967	$ 59,791,642

2014

	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2007 revenue bonds payable	$ 10,030,000	$ -	$ (575,000)	$ 9,455,000	$ 600,000	$ 8,855,000
2010 general obligation bonds payable	44,160,000	-	(2,020,000)	42,140,000	2,060,000	40,080,000
2012 revenue bonds payable	10,040,000	-	-	10,040,000	-	10,040,000
Capital leases	1,305,681	28,811	(608,398)	726,094	249,570	476,524
	65,535,681	28,811	(3,203,398)	62,361,094	2,909,570	59,451,524
Unamortized premium on Series 2007 bonds	126,902	-	(16,125)	110,777	15,298	95,479
Unamortized premium on Series 2010 bonds	389,088	-	(35,932)	353,156	35,276	317,880
Unamortized premium on Series 2012 bonds	721,756	-	(42,895)	678,861	42,895	635,966
	$ 66,773,427	$ 28,811	$ (3,298,350)	$ 63,503,888	$ 3,003,039	$ 60,500,849

Revenue Bonds Payable – Series 2007

Hospital Refunding Revenue Bonds – Series 2007 payable in increasing varying annual installments through October 15, 2026, bearing interest rates of 4.375% to 4.75%, payable semiannually. The Series 2007 Bonds are issued and pursuant to and are secured by the Bond Resolution. The bonds are limited obligations payable solely from the net revenues derived from operations of the District.

Upon issuance and delivery of the Refunding Revenue Bonds, Series 2007, the District defeased its outstanding Series 2000 and 2001 bonds. Proceeds from the bonds were used to purchase securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest and redemption premiums on the defeased bonds. This advance refunding transaction resulted in an extinguishment of debt since the District was legally released from its obligation on the Series 2001 bonds at the time of defeasance. There are no Series 2001 and Series 2000 bonds outstanding which have not been called as of December 31, 2015 and 2014.

The advance refunding of the Series 2000 and 2001 bonds resulted in an overall future economic benefit for the District. However, an accounting loss of $991,240 on the extinguishment of the long-term debt was recorded in 2007. This loss on refunding is shown as a deferred outflow of resources in the balance sheets and is being amortized using the straight-line method over the life of the Series 2000 bonds.

General Obligation Bonds Payable – Series 2010A and Series 2010B

The District issued Tax-Exempt General Obligation Bonds, Series 2010A, and Taxable General Obligation Bonds (Direct Pay Build America Bonds), Series 2010B, for purpose of financing a portion of the costs of acquiring, improving, constructing, equipping and furnishing hospital facilities. The Series 2010A bonds are due in increasing varying annual installments through December 2016, bearing interest rates of 2% to 4%, payable semiannually. The Series 2010B bonds are due in increasing varying annual installments beginning December 2017 through December 2030, bearing interest rates of 3.661% to 4.523%, payable semiannually. The 2010 bonds are issued and pursuant to and are secured by the Bond Resolution. The bonds are general obligations payable from the revenues derived from the voter-approved ad valorem tax appropriations.

Revenue Bonds Payable – Series 2012

Hospital Refunding Revenue Bonds – Series 2012 payable in increasing varying annual installments through April 15, 2033, bearing interest rates of 2.125% to 3.75% payable semiannually. The Series 2012 bonds are issued pursuant to and are secured by the Bond Resolution. The bonds are limited obligations payable solely from the net revenues derived from operations of the District.

Upon issuance and delivery of the Refunding Revenue Bonds, Series 2012, the District defeased its outstanding Series 2003 bonds. Proceeds from the bonds were used to pay the principal, interest and redemption premiums on the defeased bonds on September 4, 2012. This advance refunding transaction resulted in an extinguishment of debt since the District was legally released from its obligation on the Series 2003 bonds at the time of defeasance. There are no Series 2003 bonds outstanding which have not been called as of December 31, 2015 and 2014.

The advance refunding of the Series 2003 bonds resulted in an overall future economic benefit for the District. However, an accounting loss of $194,770 on the extinguishment of the long-term debt was recorded in 2012. This loss on refunding is shown as a deferred outflow of resources in the balance sheets and is being amortized using the straight-line method over the life of the Series 2012 bonds.

Capital Lease Obligations

The District has capitalized lease obligations at varying rates of imputed interest that are collateralized by leased equipment.

The debt service requirements as of December 31, 2015, are as follows:

Year Ending December 31,	General Obligation and Revenue Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2016	$ 2,750,000	$ 3,039,210	$ 2,349,419	$ 38,711
2017	2,920,000	2,931,836	657,554	71,760
2018	3,005,000	2,817,085	551,352	53,163
2019	3,100,000	2,689,490	499,564	35,024
2020	3,200,000	2,552,669	509,788	20,000
2021-2025	17,840,000	10,297,311	390,148	4,899
2026-2030	21,760,000	4,960,994	-	-
2031-2033	4,400,000	447,250	-	-
	$ 58,975,000	$ 29,735,845	$ 4,957,825	$ 223,557

The following is an analysis of the financial presentation of the capital leases:

	2015	2014
Major moveable equipment	$ 5,637,930	$ 1,668,373
Less accumulated depreciation	701,430	559,643
	$ 4,936,500	$ 1,108,730

Note 10: Charity Care

The costs of charity care provided under the District's charity care policy were $1,123,087 and $1,087,577 for 2015 and 2014, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges from the 2014 and 2013 filed Medicare cost reports, respectively, to the gross uncompensated charges.

Note 11: Operating Leases

The District leases various facility spaces and equipment under operating leases expiring through 2019. Future minimum lease payments under these noncancelable leases at December 31, 2015, are:

2016	$ 578,520
2017	422,400
2018	47,724
2019	32,452
Future minimum lease payments	$ 1,081,096

Rental expense for all operating leases at December 31, 2015 and 2014, was $870,448 and $935,220, respectively.

Note 12: The Aspen Valley Medical Foundation, Limited

The Aspen Valley Medical Foundation, Limited (AVMF) was an independent nonprofit corporation incorporated in 1974. AVMF's primary objective was the betterment of health care in the Roaring Fork Valley of Colorado. Effective June 15, 2012, the District and AVMF severed its relationship. During 2014, the District and AVMF signed a separation agreement, which released the District from paying off their outstanding balance for a capital lease that was outstanding to AVMF in the amount of $380,391.

Note 13: Aspen Community Foundation

The Aspen Community Foundation (ACF) is an independent nonprofit corporation incorporated in 1980. ACF's primary objective is to improve the quality of life in Aspen and the communities of the greater Roaring Fork and Colorado River valleys. The Aspen Valley Hospital Fund was established with ACF for the purpose of receiving contributions that are to benefit the District. Total contributions received and held by ACF on behalf of the District for the years ending December 31, 2015 and 2014, were $1,252,910 and $1,542,504, respectively. All contributions received by ACF during 2015 and 2014, are classified as capital contributions as the contributions are to be used to support the District's construction project. Contributions receivable maintained by ACF on behalf of the District consisted of the following at December 31:

	2015	2014
Due within one year	$ 350,000	$ 150,000
Due within one to four years	100,000	200,000
	450,000	350,000
Less		
Allowance for uncollectible contributions	50,000	112,500
Unamortized discount	11,151	19,637
	$ 388,849	$ 217,863

Note 14: Defined Contribution Plans

The District provides a 457(b) plan to substantially all employees of the District. The employees may contribute up to 100% of their salary to the 457(b) plan. The employees' total salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are always 100% vested in the contributions they choose to defer. If an employee is 50 years old or older and has met the annual IRS deferral limit, the employee may contribute a catch-up deferral that is also limited by the IRS annually. Contributions from employees to the 457(b) plan were $2,502,465 and $2,024,333 for the years ended December 31, 2015 and 2014, respectively. The District does not make contributions to the 457(b) plan.

The District also provides a 401(a) governmental money purchase pension plan covering substantially all employees who are scheduled to work more than 20 hours per week or 5 months per year. Contribution expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the 401(a) plan. The 401(a) plan is administered by the District's governing body. The 401(a) plan provides retirement and death benefits to 401(a) plan members and their beneficiaries. Benefit and contribution provisions are contained in the 401(a) plan document and were established and can be amended by action of the District's governing body. The District's contribution for each eligible employee is calculated as of the contribution date and is equal to 50% of the employee's elective deferral contributions. The District's contributions, for purposes of all employees, excluding the CEO, does not exceed 2.5% of their annual compensation; 5% for purposes of the CEO. Contribution expense to the 401(a) plan was $544,722 and $491,734 for the years ended December 31, 2015 and 2014, respectively.

Note 15: Defined Benefit Plan

Plan Description

Plan administration. The District administers a Cash Balance Retirement Plan (the Plan) providing retirement, disability and death benefits to full-time and half-time employees and their beneficiaries. This Plan is a single-employer defined benefit pension plan wherein a separate cash balance account is established for each employee upon becoming a member of the Plan.

Management of the Plan consists of the Retirement Committee, which consists of such number of individuals as appointed by the Board of Directors or CEO of the Hospital, but in no case is less than three.

Plan membership. Pension plan membership consisted of the following, which includes employees covered by the benefit terms, at December 31:

	2015	2014
Inactive plan members or beneficiaries currently receiving benefits	7	7
Inactive plan members entitled to but not yet receiving benefits	188	184
Active plan members	305	283
	500	474

Benefits provided. The Plan provides retirement, disability and death benefits. Normal retirement benefits are attained at age 65, with a monthly annuity payable for life equal to the actuarial equivalent of the projected cash balance account projected with interest to the normal retirement date assuming that the interest credit rate in effect for future years will be the rate in effect on the date of determination. Plan members are allowed to obtain early retirement benefit after six years of vesting services. The benefit for early retirement is equal to the actuarial equivalent of the participant's accrued benefit on his early retirement age. Disability benefits are determined in the same manner as the employer's long-term disability plan after six years of vesting service, but are payable monthly until normal requirement, death or recovery and a deferred annuity payable at the normal retirement date and are the accrued benefit on the date of disability. Death benefits are payable as a monthly annuity to the spouse, deferred to participant's earliest retirement date if later than date of death in the amount of the present value of the participant's accrued benefit payable in the normal form. A single lump sum may be elected at any time in lieu of the life annuity.

Contributions. An employee's benefit under the Plan, subject to certain limitations, is based on the amounts contributed to the employee's separate account and an annual minimum guaranteed investment rate of return. All investment risks of the Plan are borne by the District. The District makes annual contributions equal to 7.5% of earned salaries for employees who have earned 1,000 qualifying hours during the plan year. Employees vest in District contributions on a graded scale after the employee is credited with a second year of service. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The contribution requirements of the plan members and the District are established and may be amended by the District. Plan participants are not permitted to contribute to the Plan.

Contributions to the Plan for years ended December 31, 2015 and 2014 were $1,365,917 and $1,158,533, respectively.

GASB Statement No. 67 Disclosures

The District adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* (GASB 67), for the year ended December 31, 2014. GASB 67 sets forth the requirements for governmental pension plan financial statement reporting, including pension plan financial statements included as a pension trust fund of a government. Accordingly, GASB 67 applies to the District's reporting of its statements of fiduciary net position, statements of changes in fiduciary net position, certain notes to the financial statements, and certain required supplementary information (RSI). GASB 68, adopted in the current year (*Note 1*), sets forth the pension reporting requirements for the District in its balance sheets, statements of revenues, expenses and changes in net position, statements of cash flows, certain notes to the financial statements, and certain RSI. Because different measurement dates are used for GASB 67, GASB 68 disclosures will correspond to the District's basic financial statements, except for the fiduciary fund statements reported under GASB 67.

Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the District Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. It also allows the use of derivatives.

Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation for the Plan. The following was the Board's adopted asset allocation policy as of December 31:

Asset Class	2015 Target Allocation	2014 Target Allocation
U.S. equity - Large cap	33.25%	33.03%
U.S. equity - Mid cap	3.91%	3.87%
U.S. equity - Small cap	4.06%	3.83%
Non-U.S. equity	12.20%	12.41%
REITs	0.95%	1.01%
Real estate (direct property)	5.68%	5.12%
TIPS	1.42%	1.52%
Core bond	28.27%	30.62%
High yield	10.26%	8.59%
Total	100%	100%

Concentrations. The following are investments (other than those issued or explicitly guaranteed by the U.S. Government), in any one organization, that represent five percent or more of the of the Plan's fiduciary net position at December 31:

	2015	2014
Principal Financial Group	$ 20,855,459	$ 20,355,071

Separate accounts held at the Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated.

Rate of return. The money-weighted rate of return is calculated as a rate of return on the plan investments incorporating the timing and amount of cash flows, net of investment expense. For the years ended December 31, 2015 and 2014, the annual money-weighted rate of return on plan investments was -1.54% and 5.29%, respectively.

Net Pension Liability of the District

The components of the net pension liability of the District were as follows at December 31:

	2015	2014
Total pension liability	$ 23,959,803	$ 22,203,356
Plan fiduciary net position	(20,855,459)	(20,488,983)
District's net pension liability	$ 3,104,344	$ 1,714,373
Plan fiduciary net position as percentage of the total pension liability	87.04%	92.28%

Actuarial assumptions. The 2015 and 2014 total pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to December 31, 2015, and by an actuarial valuation as of December 31, 2013, rolled forward to December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, respectively:

	2015	2014
Long-term inflation, wage base, and compension limit	2.25%	2.25%
Salary increases	Table S-5 from Actuary's Pension Handbook plus 1.00%	
Investment rate of return	7.00%	7.00%

Mortality rates for the year ended 2015 were based on the 2014 IRS Prescribed Mortality-Optional Combined Table for Small Plans, Male and Female and for the year ended 2014 were based on the 2013 IRS Prescribed Mortality-Optional Combined Table for Small Plans, Male and Female.

The long-term expected rate of return on pension plan investments was determined by using the actual weighted average asset allocation for the four quarterly dates from March 31, 2015 to December 31, 2015. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table as of December 31:

Asset Class	2015 Long-term Expected Rate of Return	2014 Long-term Expected Rate of Return
U.S. equity - Large cap	8.80%	8.80%
U.S. equity - Mid cap	9.10%	9.10%
U.S. equity - Small cap	9.55%	9.55%
Non-U.S. equity	9.20%	9.20%
REITs	8.35%	8.35%
Real estate (direct property)	6.30%	6.30%
TIPS	4.10%	4.10%
Core bond	4.25%	4.25%
High yield	6.30%	6.30%

Discount rate. The discount rate used to measure the total pension liability at December 31, 2015 and 2014, was 7.00%. The Plan's fiduciary net position and benefit payments were projected to determine the discount rate. Projected fiduciary net position includes expected employer contributions, projected benefit and administrative payments, and expected investment return. Projected benefit payments are based on plan provisions and participant data as of the measurement date, and include the effects of automatic cost-of-living adjustments, projected salary changes and projected service credits.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate as of:

	December 31, 2015		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's net pension liability	$ 4,541,043	$ 3,104,344	$ 1,840,814

	December 31, 2014		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's net pension liability	$ 3,207,386	$ 1,714,373	$ 401,967

GASB Statement No. 27 Disclosures

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the year ended December 31, 2015. However, as retroactive application is not practical, the District's reporting for pensions in its government-wide statements for the year ended December 31, 2014 falls under the guidance of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

Annual Pension Cost and Net Pension Assets

The District's annual pension cost and net pension asset to the Plan for the year ended December 31, 2014, was as follows:

	2014
Annual required contribution	$ (1,158,533)
Interest on net pension asset	25,054
Adjustment to annual required contribution	(47,624)
Annual pension cost	(1,181,103)
Contributions made	1,222,592
Increase in net pension asset	41,489
Net pension asset at beginning of year	357,908
Net pension asset at end of year	$ 399,397

The annual required contribution for the year ended December 31, 2014, was determined as part of the January 1, 2014, actuarial valuation using the projected unit credit cost method, respectively.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over future years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2014, is 10 years.

As of January 1, 2014, the most recent actuarial valuation dated, the Plan was 106% funded. The actuarial accrued liability for benefits was $18,087,810 and actuarial value of assets was $19,099,933 resulting in an actuarial accrued benefit (UAAL) of $1,012,123. The covered payroll was $21,581,130, and the ratio of the UAAL to the covered payroll was 5%.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three-year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2012	$ 1,548,552	98%	$ 381,998
2013	1,352,881	98%	357,908
2014	(1,181,103)	98%	399,397

The Plan does not issue stand-alone financial statements and is not included in the report of any other public employee retirement system or another entity.

GASB Statement No. 68 Disclosures

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the year ended December 31, 2015. However, as retroactive application is not practical, the District's reporting for pensions in its government-wide statements is only included for the year ended December 31, 2015.

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Cash Balance Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Pension Liability of the District

Actuarial assumptions. The net pension liability reported as of December 31, 2015, was measured as of December 31, 2014, using the total pension liability that was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions:

	2015
Long-term inflation, wage base, and compensation limit	2.25%
Salary increases	Table S-5 from Actuary's Pension Handbook plus 1.00%
Investment rate of return	7.00%

Mortality rates for the year ended 2015 were based on the 2014 IRS Prescribed Mortality-Optional Combined Table for Small Plans, Male and Female.

For the December 31, 2014 actuarial valuation, the mortality assumption was changed to the RP-2014 Mortality with Scale MP-2014 – Generational Annuitant, male and female, in addition to changes to withdrawal, disability and retirement age assumptions.

The long-term expected rate of return on pension plan investments was determined by using the actual weighted average asset allocation for the four quarterly dates from March 31, 2014 to December 31, 2014. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table as of December 31, 2015:

Asset Class	Target Allocation	Long-term Expected Rate of Return
U.S. equity - Large cap	33.03%	8.80%
U.S. equity - Mid cap	3.87%	9.10%
U.S. equity - Small cap	3.83%	9.55%
Non-U.S. equity	12.41%	9.20%
REITs	1.01%	8.35%
Real estate (direct property)	5.12%	6.30%
TIPS	1.52%	4.10%
Core bond	30.62%	4.25%
High yield	8.59%	6.30%
	100%	

Changes in the Net Pension Liability

	December 31, 2015		
	Increase (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning of year	$ 19,529,504	$ 19,030,080	$ 499,424
Changes for the year			
Service cost	1,013,451	-	1,013,451
Interest	1,416,739	-	1,416,739
Benefit payments	(711,956)	(711,956)	-
Differences between expected and actual experience	576,188	-	576,188
Changes of assumptions	379,430	-	379,430
Employer contributions	-	1,158,533	(1,158,533)
Net investment income	-	1,014,456	(1,014,456)
Administrative expenses	-	(2,130)	2,130
Net changes	2,673,852	1,458,903	1,214,949
Balances, end of year	$ 22,203,356	$ 20,488,983	$ 1,714,373

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate as of:

	December 31, 2015		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's net pension liability	$ 3,207,386	$ 1,714,373	$ 401,967

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2015, the District recognized pension expense of $1,357,792. At December 31, 2015, the District report deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 454,629	$ -
Changes in assumptions	299,381	-
Net differences between projected and actual earnings on pension plan investments	261,680	-
Amount to be recognized in pension expense in future years	1,015,690	-
District's contributions subsequent to the measurement date	1,365,917	-
Total	$ 2,381,607	$ -

The District's contributions subsequent to the measurement date of $1,365,917 for the year ended December 31, 2015, will be recognized as a reduction of the net pension liability at December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2016	$ 267,028
2017	267,028
2018	267,028
2019	214,606
	$ 1,015,690

Payable to the Pension Plan

At December 31, 2015, the District reported a payable of $105,071 for the outstanding amount of contributions to the Plan required for the year ended December 31, 2015.

Note 16: Contingencies

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 17: Future Accounting Change

The Governmental Accounting Standards Board (GASB) has issued Statement No. 72, *Fair Value Measurement and Application*. This Statement will be implemented for the fiscal year ending December 31, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The primary impact of applying the Statement will be additional note disclosures related to the fair value measurements of the District's investments.

Note 18: Subsequent Event

Effective January 10, 2016, the District purchased the remainder 49% interest in Midvalley Ambulatory Surgery Center, LLC (ASC) for $2,322,311 as well as purchased the remainder 49% interest in Midvalley Imaging Center, LLC (MIC) for $918,471 and is now the sole owner of both component units.

Required Supplementary Information

Aspen Valley Hospital District

Schedule of Funding Progress – Cash Balance Retirement Plan Years Ended December 31

GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a-b/c)
6/1/06	$ 8,834,727	$ 9,692,585	$ (857,858)	91%	$ 12,777,017	-7%
6/1/07	10,198,381	10,220,086	(21,705)	100%	14,584,176	0%
1/1/08	9,990,736	10,615,471	(624,735)	94%	16,039,223	-4%
1/1/09	7,418,510	11,844,382	(4,425,872)	63%	17,094,569	-26%
1/1/10	10,045,588	12,613,235	(2,567,647)	80%	18,360,934	-14%
1/1/11	12,489,481	14,158,352	(1,668,871)	88%	19,358,574	-9%
1/1/12	13,432,989	15,464,139	(2,031,150)	87%	20,262,974	-10%
1/1/13	16,174,659	16,861,148	(686,489)	96%	20,295,889	-3%
1/1/14	19,099,933	18,087,810	1,012,123	106%	21,581,130	5%

Aspen Valley Hospital District

Schedule of Employer Contributions – Cash Balance Retirement Plan

Years Ended December 31

GASB Statement No. 27

Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2006	$ 887,556	109%
2007	492,369	100%
2008	1,043,735	110%
2009	1,666,196	101%
2010	1,480,454	102%
2011	1,438,808	100%
2012	1,522,841	100%
2013	1,328,791	100%
2014	1,158,533	106%

Aspen Valley Hospital District

Schedule of Changes in the District's Net Pension Liability and Related Ratios – Cash Balance Retirement Plan

Years Ended December 31

GASB Statement No. 67

	2015	2014
Total pension liability		
Service cost	$ 962,923	$ 1,013,451
Interest	1,590,521	1,416,739
Differences between expected and actual experience	50,485	576,188
Changes of assumptions	(10,786)	379,430
Benefit payments	(836,696)	(711,956)
Net change in total pension liability	1,756,447	2,673,852
Total pension liability - beginning	22,203,356	19,529,504
Total pension liability - ending (a)	$ 23,959,803	$ 22,203,356
Plan fiduciary net position		
Contributions - employer	$ 1,365,917	$ 1,158,533
Net investment income (expense)	(156,525)	1,014,456
Benefit payments	(836,696)	(711,956)
Administrative expense	(6,220)	(2,130)
Net change in plan fiduciary net position	366,476	1,458,903
Plan fiduciary net position - beginning	20,488,983	19,030,080
Plan fiduciary net position - ending (b)	$ 20,855,459	$ 20,488,983
District's net pension liability - ending (a) - (b)	$ 3,104,344	$ 1,714,373
Plan fiduciary net position as a percentage of the total pension liability	87.04%	92.28%
Covered-employee payroll	$ 23,424,173	$ 20,859,646
District's net pension liability as a percentage of covered-employee payroll	13.25%	8.22%

Notes to Schedule:

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* was implemented during 2014 and therefore only 2015 and 2014 are the years in which information is available. This schedule will include ten-year trend information once available.

The covered-employee payroll shown in this statement is the reported payroll for the measurement period.

Aspen Valley Hospital District

Schedule of the District's Contributions – Cash Balance Retirement Plan Years Ended December 31

GASB Statement No. 67 and 68

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	$ 1,260,846	$ 1,158,533	$ 1,328,791	$ 1,522,841	$ 1,438,808	$ 1,480,454	$ 1,666,196	$ 1,043,735	$ 492,369	$ 887,556
Contributions in relation to the actuarially determined contribution	1,365,917	1,158,533	1,328,791	1,522,841	1,438,808	1,508,000	1,675,000	1,130,713	492,369	938,296
Contribution deficiency (excess)	$ (105,071)	$ -	$ -	$ -	$ -	$ (27,546)	$ (8,804)	$ (86,978)	$ -	$ (50,740)
Covered-employee payroll	$ 23,424,173	$ 20,859,646	$ 21,581,130	$ 20,295,889	$ 20,262,974	$ 19,358,574	$ 18,360,934	$ 17,094,569	$ 16,039,223	$ 14,584,176
Contributions as a percentage of covered-employee payroll	5.83%	5.55%	6.16%	7.50%	7.10%	7.79%	9.12%	6.61%	3.07%	6.43%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market
Long-term inflation	2.25%
Salary increases	Table S-5 from Actuary Pension Handbook plus 1%
Investment rate of return	7.00%
Retirement age	The probability of retirement is as follows for the applicable age categories:
Age 55-59	6.00%
Age 60-64	12.00%
Age 65-69	40.00%
Age 70	Remaining participants
Mortality	The mortality table was updated to the 2014 IRS Prescribed Mortality-Optional Combined Table for Small Plans, male and female.

Aspen Valley Hospital District

Schedule of Investment Returns –
Cash Balance Retirement Plan
Years Ended December 31

GASB Statement No. 67

	2015	2014
Annual money-weighted rate of return, net of investment expense	-1.54%	5.34%

Notes to Schedule:

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* was implemented during 2014 and therefore only 2015 and 2014 are the years in which information is available. This schedule will include ten-year trend information once available.

Aspen Valley Hospital District

Schedule of Changes in the District's
Net Pension Liability and Related Ratios –
Cash Balance Retirement Plan
Years Ended December 31

GASB Statement No. 68

	2015
Total pension liability	
Service cost	$ 1,013,451
Interest	1,416,739
Differences between expected and actual experience	576,188
Changes of assumptions	379,430
Benefit payments	(711,956)
Net change in total pension liability	2,673,852
Total pension liability - beginning	19,529,504
Total pension liability - ending (a)	$ 22,203,356
Plan fiduciary net position	
Contributions - employer	$ 1,158,533
Net investment income	1,014,456
Benefit payments	(711,956)
Administrative expense	(2,130)
Net change in plan fiduciary net position	1,458,903
Plan fiduciary net position - beginning	19,030,080
Plan fiduciary net position - ending (b)	$ 20,488,983
District's net pension liability - ending (a) - (b)	$ 1,714,373
Plan fiduciary net position as a percentage of the total pension liability	92.28%
Covered-employee payroll	$ 20,859,646
District's net pension liability as a percentage of covered-employee payroll	8.22%

Notes to Schedule:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* as amended by GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* was implemented during 2015 and therefore only 2015 is the year in which information is available. This schedule will include ten-year trend information once available.

The covered-employee payroll shown in this statement is the reported payroll for the measurement period.

Supplementary Information

Aspen Valley Hospital District
Statement of Budgeted and Actual Revenues and Expenses
Year Ended December 31, 2015

	Budgeted Amount Original	Actual	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	$ 73,514,535	$ 79,596,647	$ 6,082,112
Other	2,703,830	2,625,183	(78,647)
Total operating revenues	76,218,365	82,221,830	6,003,465
Operating Expenses	73,985,502	76,926,965	(2,941,463)
Operating Income	2,232,863	5,294,865	3,062,002
Nonoperating Revenues (Expenses)			
Ad valorem taxes	6,919,886	7,095,955	176,069
Investment income	112,000	152,178	40,178
Interest expense	(2,452,032)	(2,446,569)	5,463
Community assistance programs	(205,000)	(424,370)	(219,370)
Aspen Valley Hospital Foundation, net	(600,000)	-	600,000
Noncapital contributions	-	115,203	115,203
Gain on investment in joint venture	914,291	34,582	(879,709)
Gain on equity interests in ASC and MIC	-	568,839	568,839
Gain on sale of capital assets	-	5,423	5,423
Total nonoperating revenues	4,689,145	5,101,241	412,096
Excess of Revenues Over Expenses Before Capital Contributions and Provision for Uncollectible Capital Contributions	6,922,008	10,396,106	3,474,098
Capital contributions	582,297	93,698	(488,599)
Provision for uncollectible capital contributions	-	425,000	425,000
Change in Net Position	$ 7,504,305	$ 10,914,804	$ 3,410,499

Notes to Schedule:

Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

Budgeted Amount Original and Actual columns only include the financial information for Aspen Valley Hospital District and not its component units.

Budgets are adopted by resolution in total. There were no supplemental budgets adopted during 2015.

Aspen Valley Hospital District

Combining Schedule – Balance Sheet Information – Component Units

December 31, 2015

	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 50,443	$ 60,611	$ 111,054
Patient accounts receivable, net	342,413	95,329	437,742
Other receivables	-	5,000	5,000
Inventories	216,656	-	216,656
Total current assets	609,512	160,940	770,452
Capital Assets, Net	109,462	223,625	333,087
Total assets	$ 718,974	$ 384,565	$ 1,103,539
Liabilities and Net Position			
Current Liabilities			
Accounts payable	$ 4,612	$ 1,722	$ 6,334
Other accrued liabilities	54,799	7,644	62,443
Total current liabilities	59,411	9,366	68,777
Long-term Debt	-	-	-
Total liabilities	59,411	9,366	68,777
Net Position			
Reserved for minority interests	323,186	183,847	507,033
Unrestricted	336,377	191,352	527,729
Total net position	659,563	375,199	1,034,762
Total liabilities and net position	$ 718,974	$ 384,565	$ 1,103,539

Aspen Valley Hospital District

Combining Schedule – Revenues, Expenses and Changes in Net Position Information – Component Units

Year Ended December 31, 2015

	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Operating Revenues			
Net patient service revenue	$ 3,058,214	$ 567,853	$ 3,626,067
Operating Expenses			
Salaries and wages	476,611	81,603	558,214
Supplies and other	1,582,877	289,594	1,872,471
Depreciation and amortization	68,248	18,269	86,517
Total operating expenses	2,127,736	389,466	2,517,202
Operating Income	930,478	178,387	1,108,865
Nonoperating Revenues			
Investment income	4,701	111	4,812
Total nonoperating revenues	4,701	111	4,812
Excess of Revenues Over Expenses Before Member Distributions	935,179	178,498	1,113,677
Member distributions	(975,515)	(280,879)	(1,256,394)
Change in Net Position	(40,336)	(102,381)	(142,717)
Net Position, Beginning of Year	699,899	477,580	1,177,479
Net Position, End of Year	$ 659,563	$ 375,199	$ 1,034,762

Aspen Valley Hospital District

Combining Schedule – Cash Flows Information – Component Units

Year Ended December 31, 2015

	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Operating Activities			
Receipts from and on behalf of patients	$ 3,190,888	$ 659,037	$ 3,849,925
Payments to suppliers	(1,744,252)	(299,916)	(2,044,168)
Payments to employees	(476,611)	(81,603)	(558,214)
Net cash provided by operating activities	970,025	277,518	1,247,543
Noncapital Financing Activities			
Member distributions	(975,515)	(280,879)	(1,256,394)
Net cash used in noncapital financing activities	(975,515)	(280,879)	(1,256,394)
Capital and Related Financing Activities			
Purchases of capital assets	(20,812)	-	(20,812)
Principal payments on long-term debt	(51,172)	-	(51,172)
Net cash used in capital and related financing activities	(71,984)	-	(71,984)
Investing Activities			
Investment income	4,701	111	4,812
Net cash provided by investing activities	4,701	111	4,812
Increase (Decrease) in Cash and Cash Equivalents	(72,773)	(3,250)	(76,023)
Cash and Cash Equivalents, Beginning of Year	123,216	63,861	187,077
Cash and Cash Equivalents, End of Year	$ 50,443	$ 60,611	$ 111,054

Aspen Valley Hospital District

Combining Statement – Cash Flows Information – Component Units (Continued)

Year Ended December 31, 2015

	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Reconciliation of Cash and Cash Equivalents to the Balance Sheets			
Cash and cash equivalents	$ 50,443	$ 60,611	$ 111,054
Total cash and cash equivalents	$ 50,443	$ 60,611	$ 111,054
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	$ 930,478	$ 178,387	$ 1,108,865
Depreciation and amortization	68,248	18,269	86,517
Change in operating assets and liabilities			
Patient accounts receivable	132,674	91,184	223,858
Inventories	(4,163)	-	(4,163)
Accounts payable	(30,251)	943	(29,308)
Other accrued liabilities	(126,961)	(11,265)	(138,226)
Net cash provided by operating activities	$ 970,025	$ 277,518	$ 1,247,543